

Montana State Legislature

2011 Session

Exhibit 5

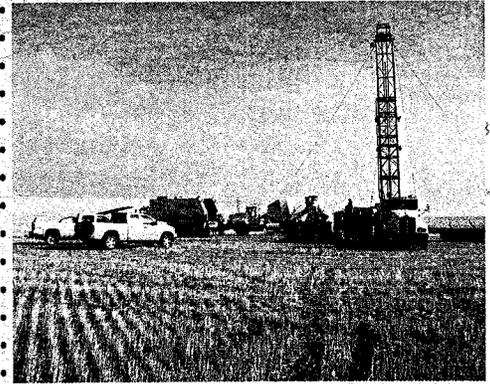
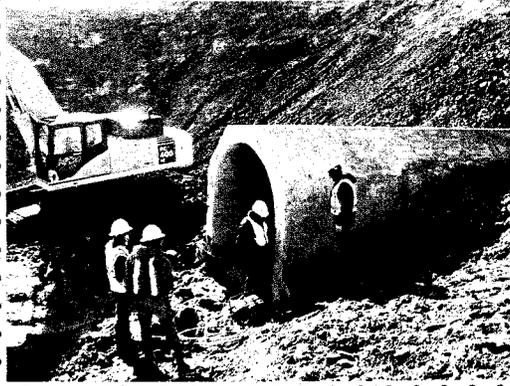
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MONTANA DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

EXHIBIT 5
DATE 1-5-11
HB Budget Overview



FISCAL YEAR 2010
ANNUAL REPORT

Table of Contents

Introduction	vi
Department Organization	vi
Division Duties and Responsibilities	vii
Financial Information	ix
Centralized Services Division	1
Procurement and Contracting Bureau	2
Human Resources Bureau	2
Fiscal Bureau	3
Information Technology Bureau	3
Conservation and Resource Development Division.....	4
Conservation Districts Bureau	5
Financial Development Bureau.....	12
Resource Development Bureau.....	16
Forestry Division	27
Fire and Aviation Management Bureau	28
Forestry Assistance Bureau	32
Business Management Bureau	34
Oil and Gas Conservation Division.....	36
The Board and Staff	37
Programs	37
Funding	38
Reserved Water Rights Compact Commission.....	42
The Compact Commission	43
Completed Compacts	45
Trust Land Management Division	47
Overview.....	48
Division Overview	53
Agriculture and Grazing Management.....	53
Forest Management.....	55
Minerals Management	57
Real Estate Management.....	60
Montana Universities – Trust Lands	65
Water Resources Division	71
State Water Projects Bureau	72
Water Management Bureau	75
Water Operations Bureau	79
Water Rights Bureau	81
Water Adjudication Bureau	83
Water Resources Offices	84
Appendix A	87
Funding Information Concerning the Resource Indemnity Tax and the Coal Severance Tax	87
Acronyms.....	92

Tables

	Page
Table 1	FY 2010 Expenditures ix
Table 2	Watershed Planning and Assistance Grants Awarded in FY 2010 7
Table 3	FY 2010 Conservation Education Mini-Grants Awarded 10
Table 4	FY 2010 Conservation District Project Grants Awarded 11
Table 5	Loan Portfolios 13
Table 6	Water Pollution Control State Revolving Fund Loans 14
Table 7	Drinking Water State Revolving Fund Loans 18
Table 8	Reclamation and Development Grants Approved by the 2009 Legislature 20
Table 9	Renewable Resource Grant and Loan Projects Approved by the 2009 Legislature 22
Table 10	Public Loans 24
Table 11	Direct Fire Protection by DNRC in FY 2010 29
Table 12	CY 2009 Aviation Program Accomplishments 30
Table 13	Equipment Development Program Projects in FY 2010 31
Table 14	Nursery Seedling Sales from FY 2009 to FY 2010 32
Table 15	FY 2010 Forest Pest Management Program Activities 33
Table 16	FY 2009 Fire Hazard Reduction Program Activities 33
Table 17	FY 2009 Forest Practices Program Activities 33
Table 18	FY 2010 Urban and Community Forestry Program Activities 34
Table 19	2009 County Drilling and Production Statistics 39
Table 20	2009 Summary 40
Table 21	Five-Year Production 40
Table 22	Compacts Concluded by the Reserved Water Rights Compact Commission 45
Table 23	Funding Sources of Trust Land Administration 49
Table 24	Reconciliation of Revenues and Distributions 49
Table 25	Revenues by Trust FY 2010 51
Table 26	Five-Year Summary of Gross Revenue Generated by Activity 52
Table 27	FY 2010 Forest Improvement Fees Collected by Trust 57
Table 28	FY 2010 Forest Improvement Activities by Trust 58
Table 29	FY 2010 Lease and License Revenues 61
Table 30	Land Sold by County - FY 2010 62
Table 31	Land Sold by Trust - FY 2010 62
Table 32	Trust Land Surface Acreage by County and Trust FY 2010 63
Table 33	University System Original Grant Acreage 65
Table 34	University System Permanent Fund Balances FY 2006 - FY 2010 66
Table 35	University System Revenues by Trust FY 2010 66
Table 36	Gross Revenue Generated by Activity for the University System FY 2010 67
Table 37	Agriculture and Grazing Revenues 68
Table 38	University System FY 2010 Revenues and Production 68
Table 39	Timber Revenues FY 2006 - FY 2010 68
Table 40	Timber Volume Harvested by Trust in Thousand Board Feet (MBF) 69
Table 41	Forest Improvement Fee Collections FY 2006 - FY 2010 69
Table 42	Mineral Revenue by Trust FY 2006 - FY 2010 69
Table 43	Mineral Revenue by Trust and Activity for FY 2010 70
Table 44	Real Estate Management Revenue by Trust FY 2006 - FY 2010 70
Table 45	Leases Associated with DNRC-Owned Water Projects 72
Table 46	CY 2009 Broadwater-Missouri Power Project 73
Table 47	Water Right Applications in FY 2010 82
Table 48	Allocation of Coal Severance Tax 90

Figures	Page
Figure 1 Activity	ix
Figure 2 Funding	ix
Figure 3 Montana's Conservation Districts	6
Figure 4 FY 2010 Allocation of Grant Funds for Conservation District Projects	10
Figure 5 Allocation of Reclamation and Development Grant Projects Approved by the 2009 Legislature	16
Figure 6 Allocation of Funds for Renewable Resource Grant and Loan Projects Approved by the 2009 Legislature	17
Figure 7 Regional Water System Service Areas	25
Figure 8 Community Wildfire Protection Progress	29
Figure 9 Montana VFA/RFA Allocations per County	30
Figure 10 Federal Reserves in Montana	44
Figure 11 Current Land Ownership	49
Figure 12 Permanent Fund Balance	50
Figure 13 Distribution of Revenues from Common Schools Trust Lands FY 2010 ⁽¹⁾	50
Figure 14 Ten-Year Net Revenue Summary	54
Figure 15 Barley and Wheat Production	55
Figure 16 Agricultural and Grazing Revenue	55
Figure 17 Timber Volume Sold and Harvested	56
Figure 18 Timber Revenue Generated	56
Figure 19 Total Mineral Revenue by Mineral Type	59
Figure 20 Oil and Gas Revenue(excluding seismic exploration)	59
Figure 21 Coal Royalties	60
Figure 22 Real Estate Management Revenues	61
Figure 23 University System Acres by Trust FY 2010	65
Figure 24 Resource Indemnity Trust Interest and the Resource Indemnity Groundwater Assessment 2011 Biennium	89
Figure 25 Allocation of Coal Severance Tax	90
Figure 26 Coal Severance Tax Trust Fund Flow of Funds Summary	91

**DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION**



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Hello Montanans,

Have you had a wildfire near your community recently? Is your community upgrading its sewer or water system? Have you recreated on State Land lately? Do you have children in Montana's public school system? And has that water right so important to your farm operation been adjudicated? If you answered "yes" to any of these questions, then you have had contact with the Department of Natural Resources, and maybe you didn't even know it!

The DNRC impacts the lives of Montanans regularly. Here are a few examples:

- In the past year, the agency has assisted 70 communities with sewer and water systems through grants and loans. As the state's water infrastructure ages, it is critically important to have State and Federal agency support for small communities.
- DNRC staff continues to finalize water right claims for the adjudication process. We have only 500 claims left of 56,000 just four years ago. We also provide water to communities and irrigators through state water projects. Additionally, we are implementing major improvements to Ruby Reservoir, one of our largest reservoirs, and addressing dam safety issues.
- Although only 57,000 acres burned because of wildfire last year, DNRC folks, along with local firefighters and federal personnel, helped to suppress those blazes. DNRC service foresters have also assisted over 3,000 landowners with managing their forested lands, particularly those infected with mountain pine beetle. Over 14,000 acres were treated to mitigate effects of fire in the wildland urban interface.
- State land board members approved leasing of Otter Creek Coal tracts which added \$81 million in funding for K-12 education in Montana. Also, the state has acquired new trust lands – over 30,000 acres since 2007 – which add substantially to the public acres available for hunting and fishing, and increase funding for public education.

Since this is a legislative year – and legislators like numbers – our annual report is filled with lots of facts and statistics. But don't let that distract you from finding out more about DNRC's influence on life in Montana. Whether you have school kids, live in a forested area, or have a water right, you probably deal with the DNRC staff frequently. We really do affect the daily lives of almost all Montanans.

Thanks for your interest in the Department of Natural Resources and Conservation!

Mary Sexton, Director

Introduction

"Helping to ensure Montana's land and water resources provide benefits for present and future generations" is the mission of the Montana Department of Natural Resources and Conservation (DNRC).

First established in 1971 as a result of the Executive Reorganization Act of 1971, the DNRC provides leadership in managing the state's natural resources. It is responsible for promoting the stewardship of Montana's water, soil, forest, and rangeland resources and for regulating forest practices and oil and gas exploration and production. In the past eight years, the agency has generated \$425 million for Montana school children through the sound management of state lands.

Department Organization

The director of the DNRC is Mary Sexton.

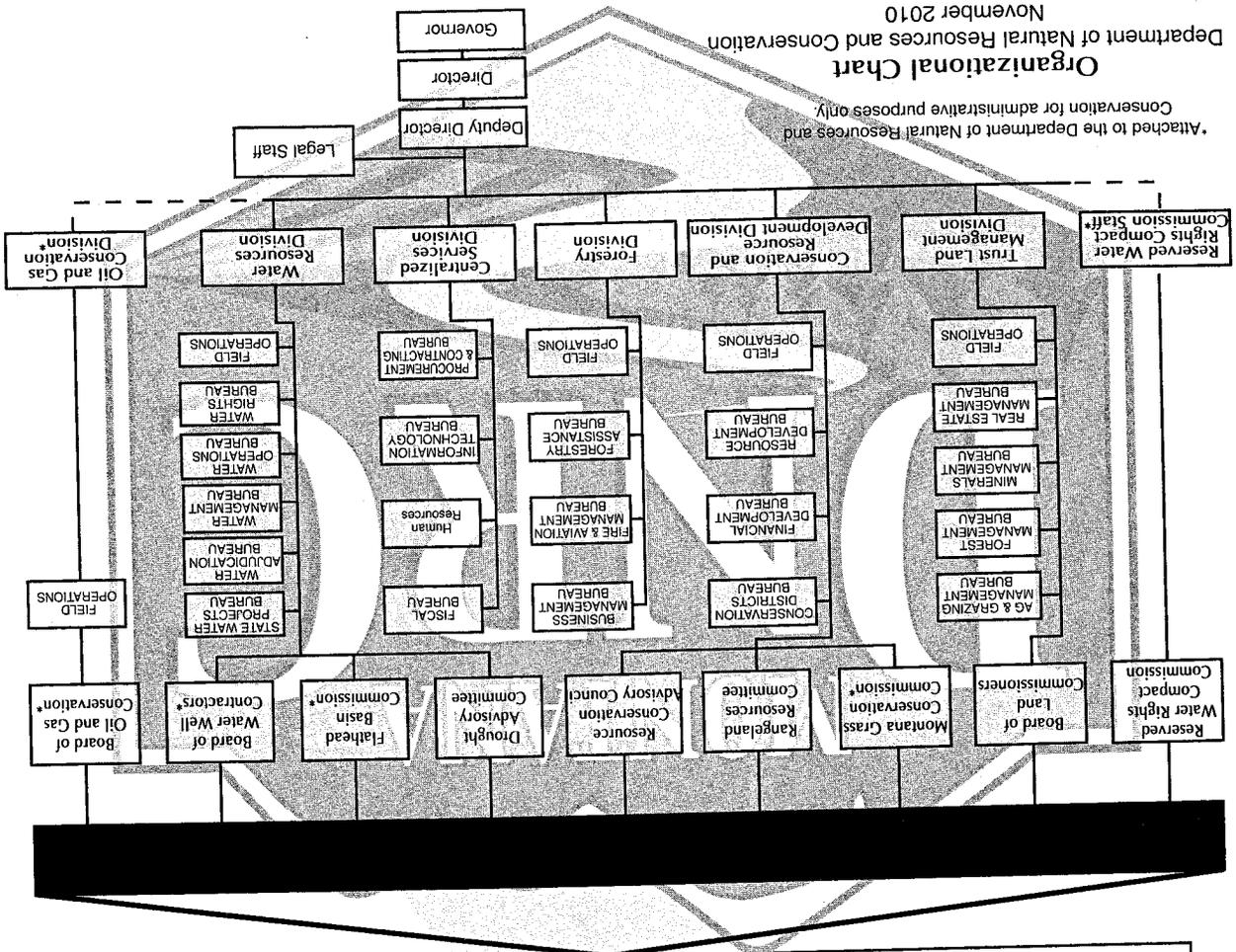
As shown in the organization chart, nine boards and commissions are attached to the department. Six of them—the Board of Land Commissioners, Reserved

Water Rights Compact Commission, Board of Water Well Contractors, Flathead Basin Commission, Drought Advisory Committee, Resource Conservation Advisory Council, Rangeland Resources Committee, Montana Grass Conservation Commission, Board of Land Commissioners, Reserved Water Rights Compact Commission, Board of Oil and Gas Conservation

- Water Resources
- Trust Land Management
- Reserved Water Rights Compact Commission
- Oil and Gas Conservation
- Foresty
- Conservation and Resource Development
- Centralized Services

The department is organized into seven divisions: Rangeland Resources Committee, and Drought Advisory Committee—act in an advisory capacity only. Basin Commission, Board of Water Well Contractors, Flathead Conservation, Board of Oil and Gas Conservation, Board of Oil and Gas Conservation

The Citizens of Montana



About the Director

Originally from Great Falls, Mary graduated from CMR High School and has degrees from Stanford University and The University of Montana.

She taught high school in Hamilton, and was administrator of The Nature Conservancy's Pine Butte Swamp Preserve, west of Choteau.

She is involved with both agriculture and tourism businesses. Mary has served on boards including the Public Wildlife/Private Lands Council, Bureau of Land Management (BLM) Resource Advisory Council, and the Teton County Commission from 1999-2004.

Mary is married with one daughter.

To contact the director's office, please call 406/444-2074.



Mary Sexton

Deputy Director

Joe has worked on a wide variety of Montana natural resource issues for the past 34 years. He has served as the state director for former Congressman Pat Williams, and as state land board staff and communications director for Superintendents of Public Instruction Nancy Keenan and Linda McCulloch.

Joe joined the DNRC in fall 2007. He works directly with the director and division administrators on management, planning, and budgeting to fulfill DNRC's mission. He also oversees the agency's public information activities and the work of the Montana State Restoration Coordinator. To contact the deputy director, please call 406/444-9708.



Joe Lamson

Division Duties and Responsibilities

Centralized Services

The Centralized Services Division (CSD) provides administrative and operational support to all DNRC divisions. Support services include financial management, purchasing, information technology processing, human resources, legal, reception, and mail. The



Tricia Schiltz

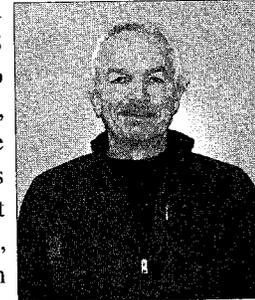
division coordinates information services and prepares publications and graphic materials for printing. Trust revenues are collected and distributed.

The CSD administrator is Tricia Schiltz. For more information, visit the CSD web site at www.dnrc.mt.gov/csd or call 406/444-2074.

Conservation and Resource Development

The Conservation and Resource Development Division (CARDD) coordinates, supervises, and provides financial and technical assistance to Montana's 58 conservation districts. It also provides technical, financial, and administrative assistance to public and private entities to complete projects that put renewable resources to work, increase the efficiency with which natural resources are used, or solve recognized environmental problems. The division provides administrative support to the Montana Grass Conservation Commission. The division receives advice and guidance from two other attached bodies: the Resource Conservation Advisory Council and the Rangeland Resources Committee.

The CARDD administrator is Ray Beck. For more information, visit the CARDD web site at www.dnrc.mt.gov/cardd or call 406/444-6667.



Ray Beck

Forestry

The Forestry Division protects the state's forested and nonforested watershed lands from wildfire; provides aviation services; operates a nursery and provides shelterbelt, windbreak, wildlife habitat improvement, reclamation, and reforestation plantings on state and private lands; and regulates forest practices and wildfire hazards created by logging or other forest management operations on private lands.

The Forestry administrator is Bob Harrington. For more information, visit the forestry web site at www.dnrc.mt.gov/forestry or call 406/542-4300.



Bob Harrington

Oil and Gas Conservation

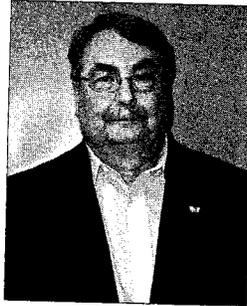
The Board of Oil and Gas Conservation (BOGC) and its technical support staff are attached to the department for administrative purposes. The quasi-judicial board is comprised of seven members consisting of industry representatives, landowners, and an attorney. They administer Montana's oil and gas laws and the federal Underground Injection Control Program to promote conservation and prevent waste in the recovery of these resources through regulation of oil and gas exploration and production. The board and its staff issue drilling permits; classify wells; establish well spacing units and land pooling orders; inspect drilling, production, and seismic operations; investigate complaints; conduct engineering studies; and collect and maintain complete well data and production information.

The BOGC administrator is Tom Richmond. For more information, visit the BOGC web site at www.bogc.dnrc.mt.gov or call 406/656-0040.

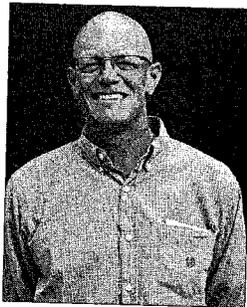
Reserved Water Rights Compact Commission

The Reserved Water Rights Compact Commission (RWRCC), which is also administratively attached to the department, was created by the legislature in 1979 as part of the water rights adjudication effort. Commissioners are appointed by the governor, the attorney general, the speaker of the House of Representatives, and the president of the Senate. The nine-member commission and its support staff negotiate water rights with Indian Tribes and federal agencies to establish formal agreement on the amount of water to be allocated to each interest.

The RWRCC administrator is Bill Schultz. For more information, visit the RWRCC web site at www.dnrc.mt.gov/rwrcc, call 406/444-6841 or e-mail dnrrwrcc@mt.gov.



Tom Richmond



Bill Schultz

Trust Land Management

The Trust Land Management Division (TLMD) is responsible for managing the surface and mineral resources of forested, grazing, agricultural, and other classified state trust lands to produce revenue for the benefit of Montana's public schools and other endowed institutions. The Board of Land Commissioners oversees the administration of the state trust land in Montana, as directed by the Montana Constitution. This board consists of Montana's top elected officials: the governor, superintendent of public instruction, secretary of state, attorney general, and state auditor.

The TLMD administrator is Tom Schultz. For more information, visit the TLMD web site at www.dnrc.mt.gov/trust or call 406/444-2074.

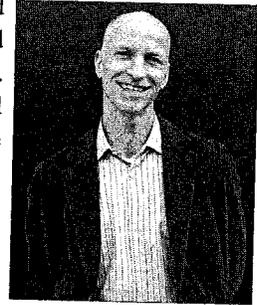


Tom Schultz

Water Resources

The Water Resources Division (WRD) is responsible for many programs associated with the uses, development, and protection of Montana's water. The division also develops and recommends water policy to the director, governor, and legislature. The division comprises five bureaus—State Water Projects, Water Management, Water Operations, Water Rights, and Water Adjudication—and eight regional offices. Attached to the Water Operations Bureau is the Board of Water Well Contractors, a quasi-judicial board that can issue, suspend, or revoke licenses; promulgate rules and regulations; investigate complaints; and hold disciplinary hearings. The Flathead Basin Commission was transferred from the Governor's Office to DNRC for the 2005 biennium for administrative purposes. The Drought Advisory Committee is also attached to the Water Resources Division.

The WRD administrator is Tim Davis. For more information, visit the WRD web site at www.dnrc.mt.gov/wrd or call 406/444-6601.



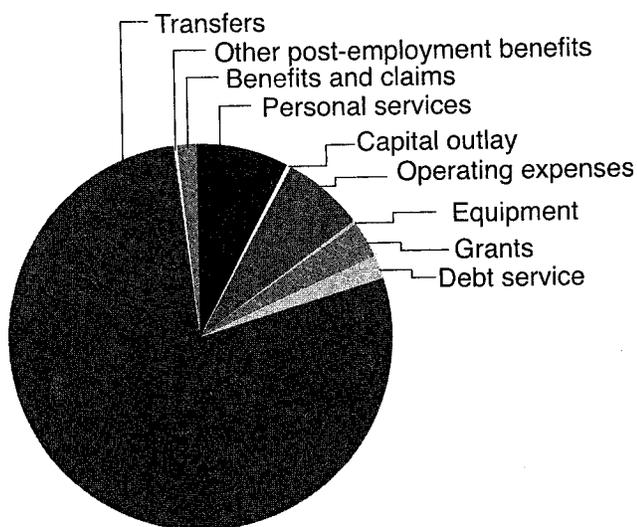
Tim Davis

Financial Information

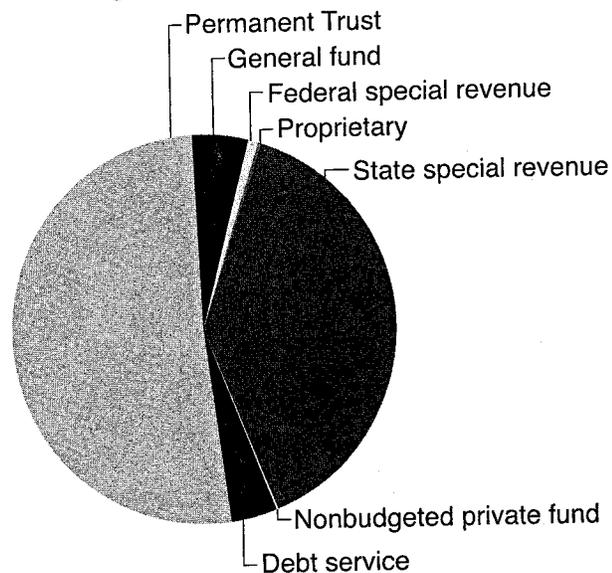
The charts below present expenditures by category and fund type for the department in FY 2010. A substantial increase in transfers is due to a large one-time lease bonus payment on trust lands transferred to the Common Schools.

Total Expenditures by Activity		Total Expenditures by Fund Type	
Personal services	\$ 36,290,979	General fund	\$ 22,204,684
Operating expenses	30,161,713	State special revenue	172,531,968
Equipment	1,142,672	Federal special revenue	-1,938,044
Capital outlay	122,204	Debt service	17,667,677
Grants	14,117,563	Proprietary	2,719,292
Benefits and claims	8,579,579	Nonbudgeted private fund	126,874
Transfers	343,108,475	Permanent Trust	227,591,245
Debt service	7,326,811	Total	\$ 440,903,696
Other post-employment benefits	53,700		
Total	\$ 440,903,696		

**Figure 1
Activity**



**Figure 2
Funding**

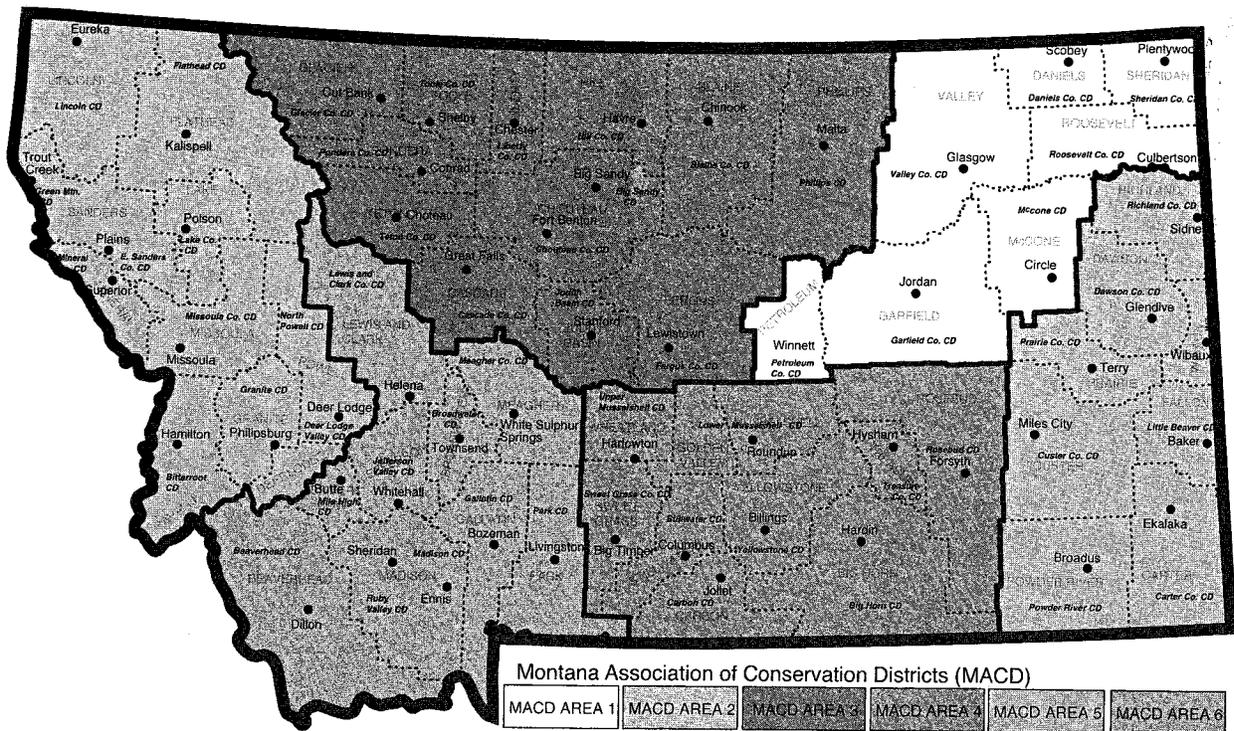


Field Operations

Although the department headquarters is in Helena, field operations for the department's programs are performed through field offices and personnel in 29 different communities. Included are both full-time and seasonal employees from the Conservation and Resource Development, Forestry, Oil and Gas Conservation, Trust Land Management, and Water Resources divisions. To view area and current project information, please visit the field operations web site at www.dnrc.mt.gov/field_operations.

Conservation District Offices

Conservation and Resource Development offices are responsible for integrating and implementing programs for the Conservation and Resource Development Division.



Area Offices

Area offices are responsible for managing and implementing programs for both Forestry and Trust Land Management divisions.

